

U.S. TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT



**TPP and T-TIP: Unlocking
Economic Opportunity &
Advancing American
Leadership in Agriculture**

Trans-Atlantic Trade and Investment Partnership (T-TIP)

Overview

- The Trans-Atlantic Trade and Investment Partnership will deepen the trading relationship between the US and the EU - the largest trading relationship in the world.
- The US-EU relationship currently represents **nearly half of global GDP**.
- The trading relationship consists of roughly **\$1 trillion of goods and services traded** each year, **\$4 trillion of investment in each other's economies**, which all supports **13 million jobs on both sides of the Atlantic**.
- The US and the EU members are committed to an **ambitious deal** that will include **disciplines on regulatory cooperation, transparency, good regulatory practices** and **maintaining the high health, safety and environmental standards our citizens deserve**.

US agricultural exports are falling behind in the EU due to tariff and non-tariff barriers

In 2014, US exports of agricultural products totaled **\$12.6 billion** and the EU ranks as the 5th largest Ag export market.

However, a combination of high tariffs, SPS barriers, and preferential access for other suppliers in the EU create a disadvantage for American farmers and ranchers.

- The EU was once the top market for US ag exports and has now dropped to 5th.
- From 2000 to 2014, **US Ag exports to the world increased 193 percent**, but **US exports to the EU during this period increased only 94 percent**.
- U.S. Market share for Ag export products in the EU has ***fallen*** from 15 percent in 2000 to 10 percent in 2014.
- The EU maintains an **ag trade surplus of \$5 billion** over the US.

T-TIP must address tariff and non-tariff barriers to increase opportunity for parties

The EU's **average agricultural tariff is 30 percent**, while the **average US agricultural tariff is only 12 percent**.

The EU's non-tariff barriers to US agricultural products must also be addressed in the negotiations

- **Biotechnology**
- **Veterinary drugs and hormones**
- **Process Techniques**

The **EU has already concluded free trade agreements with 35 countries** and announced negotiations with 12 more, giving key competitors like Canada an advantage over US exporters.

T-TIP is an opportunity for the US and the EU to increase market access by lowering tariffs, enact regulatory approaches based on science, and deepen our strong relationship.

Geographical Indications

- The impact of the EU's Geographical Indications policies have been a longstanding issue and we have been clear with the EU regarding our opposition to existing and future barriers but **the issue is *not* insurmountable**.
- The U.S. provides strong protections for intellectual property rights, including GIs and including many from the EU.
- EU producers are already doing extremely well protecting their place's names through trademarks in the US. However, US-produced generic products lack market access in the EU.
- The US is seeking a two-way conversation to find a solution that will provide protection for names that are clearly associated with a particular place, and **provide an opportunity for generic products to be freely traded**.

Trans-Pacific Partnership (TPP) Overview

- **The Trans-Pacific Partnership is an ambitious 21st century trade agreement we are currently negotiating in the Asia-Pacific region.**
 - TPP Countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam
- TPP represents **40 percent of the global economy** and covers the **fastest growing and dynamic region in the world**. The pact **could expand to other regional partners in the future**, increasing its benefits further.
- TPP members are committed to a **high standard, ambitious deal** that will include **commitments on transparency, state owned enterprises, and regulatory cooperation** to make it easier for small-and medium sized businesses to operate across the region.
- The **Administration is pursuing TPP because it provides market access to major markets and levels the playing field** by establishing high standards, that reflect our values, in the region **which will ultimately boost American exports and create jobs**.

The Importance of TPP

There are **three** critical reasons why TPP is significant for the United States economy and the country:
It supports economic growth and job creation, avoids losing market share & sets the rules of the road, and lays the ground work for strategic, geopolitical benefits

1

Supports Economic Growth and Job Creation

- **Grows U.S. Exports by \$123.5 billion per year**
- **Increases U.S. real income benefits by \$77 billion per year** (.04 percent of GDP)
- Supports an **additional 650,000 U.S. Jobs**

2

Avoids Losing Market Share and Sets the Rules

- In recent years **Asian-Pacific preferential trade agreements** have proliferated leaving U.S. businesses and workers behind
- **The Japan-Australia EPA entered into force in 2015**, securing rapid tariff reductions for Australian beef in Japan
- **EU negotiating agreements with Japan, Vietnam, and Canada** securing preferential market access

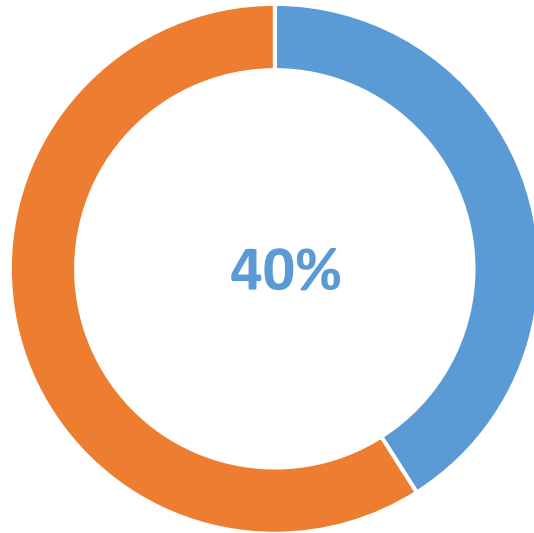
3

Strategic/Geopolitical Benefits

- TPP integral to the United States' **rebalance to Asia**
- Embed U.S. in region with **tremendous spillover benefits**
- **Balance out China** with our own relationships and trading partners

Existing Trade is a strong base for export expansion

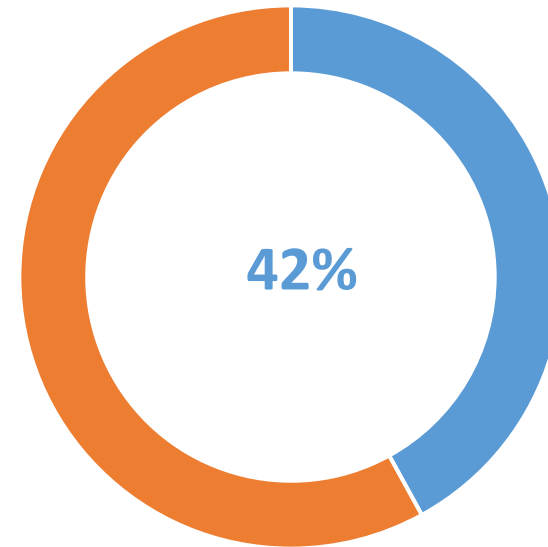
United States Economy



\$898 billion

U.S. goods and services
exports to TPP countries
40% of all U.S. exports

Agriculture



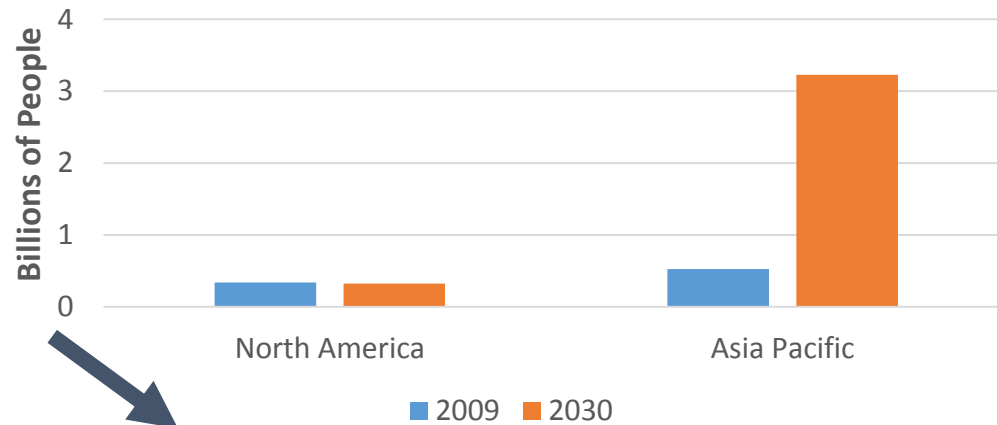
\$63 billion

U.S. agriculture exports to
TPP countries in 2014:
**42% of all U.S.
agricultural exports**

An estimated **4.1 million jobs** are supported by current U.S.
Exports of Goods and Services to TPP Countries

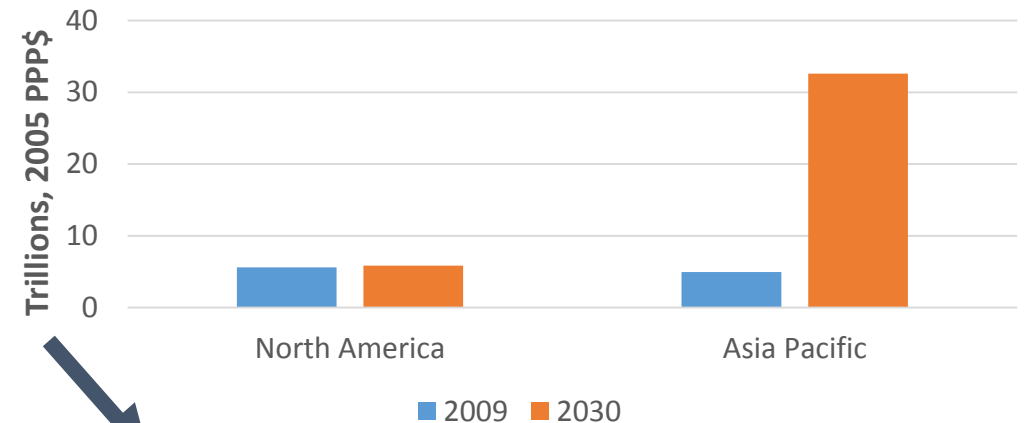
The Importance of TPP: Economic Growth Opportunities Beyond Our Borders

Asia's **middle class** is the fastest growing market in the world...



In 2030: **66% of the world's middle class** will be in Asia

...And will drive **global middle class demand** in the coming decades.



In 2030: **59% of the world's middle class consumption** will be in Asia

Bottom Line: The Asian-Pacific region's ascending middle class means that consumers will expect more choice, quality, and safety in their food choices which means there are **tremendous growth opportunities for American agriculture products** like beef, pork, poultry, grains, and other high value products

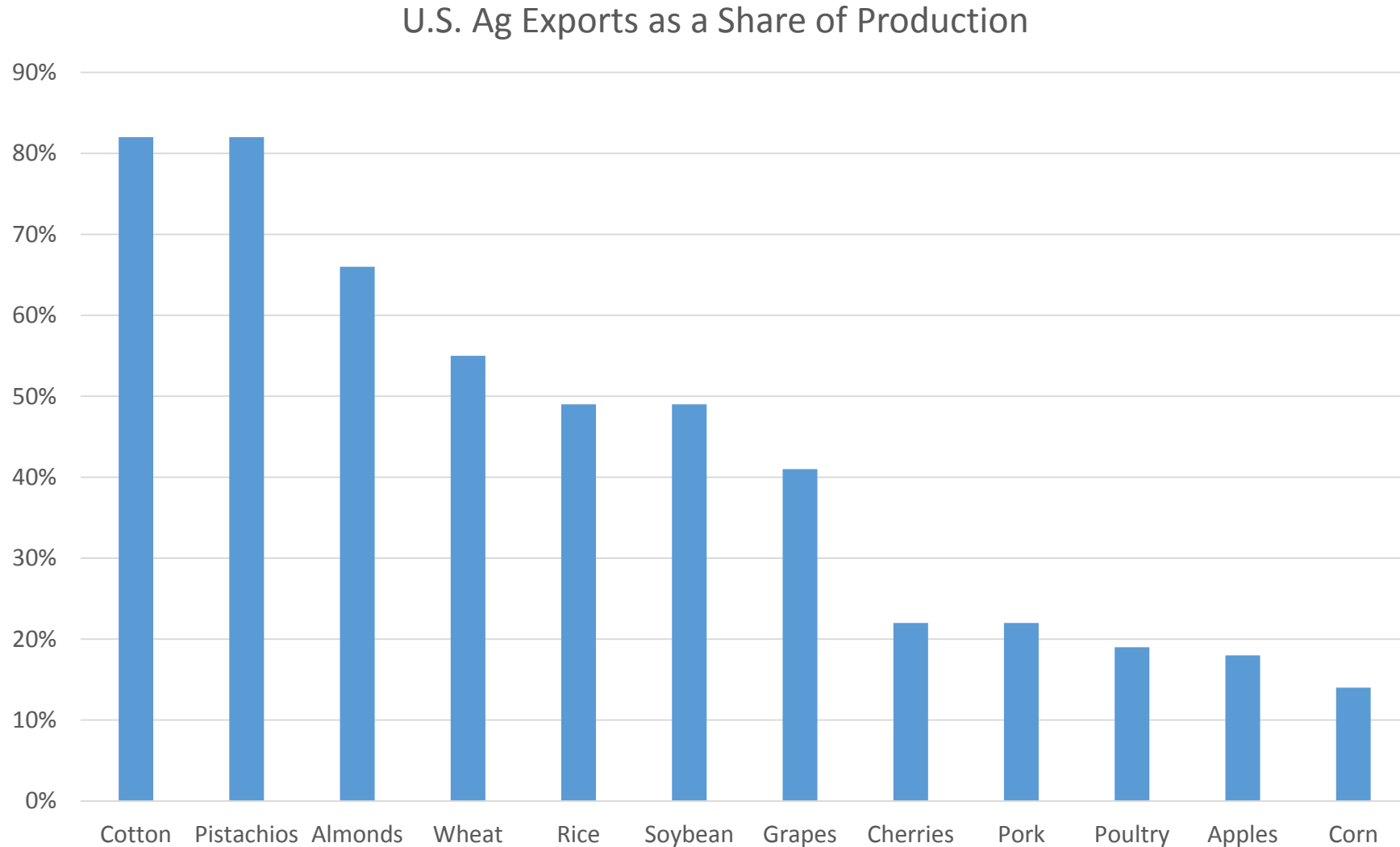
Benefits for Agriculture

- The **TPP will eliminate or reduce existing tariff and non-tariff obstacles, clearing a path to expand U.S. agricultural exports, which already are \$63 billion to TPP countries.**
- The **largest gains in U.S. agricultural exports are expected to occur in the high value categories of meats, dairy, fruits and vegetables, and a variety of processed foods and beverages.**
- Under the TPP, the **United States will reduce and eliminate tariffs for agricultural products imported from other TPP countries**, currently about \$57 billion, providing more competitive choices for U.S. consumers and lower cost inputs to U.S. businesses.
- The TPP will provide **improved transparency and science-based regulations enabling increased U.S. food and agricultural exports**, which currently face restrictive barriers in some TPP countries.

Unprecedented market access in both developed and high-growth economies

- TPP could **boost exports to key agricultural markets like Japan and Canada**, where the United States is already positioned as the dominant foreign supplier of some key food and agricultural products.
- TPP will **better position U.S. farmers, ranchers, and food processors to take full advantage of the rapidly expanding consumer markets in Vietnam and Malaysia**, where U.S. agricultural exports have collectively increased six-fold over the past 10 years, reaching \$3.3 billion in 2014.

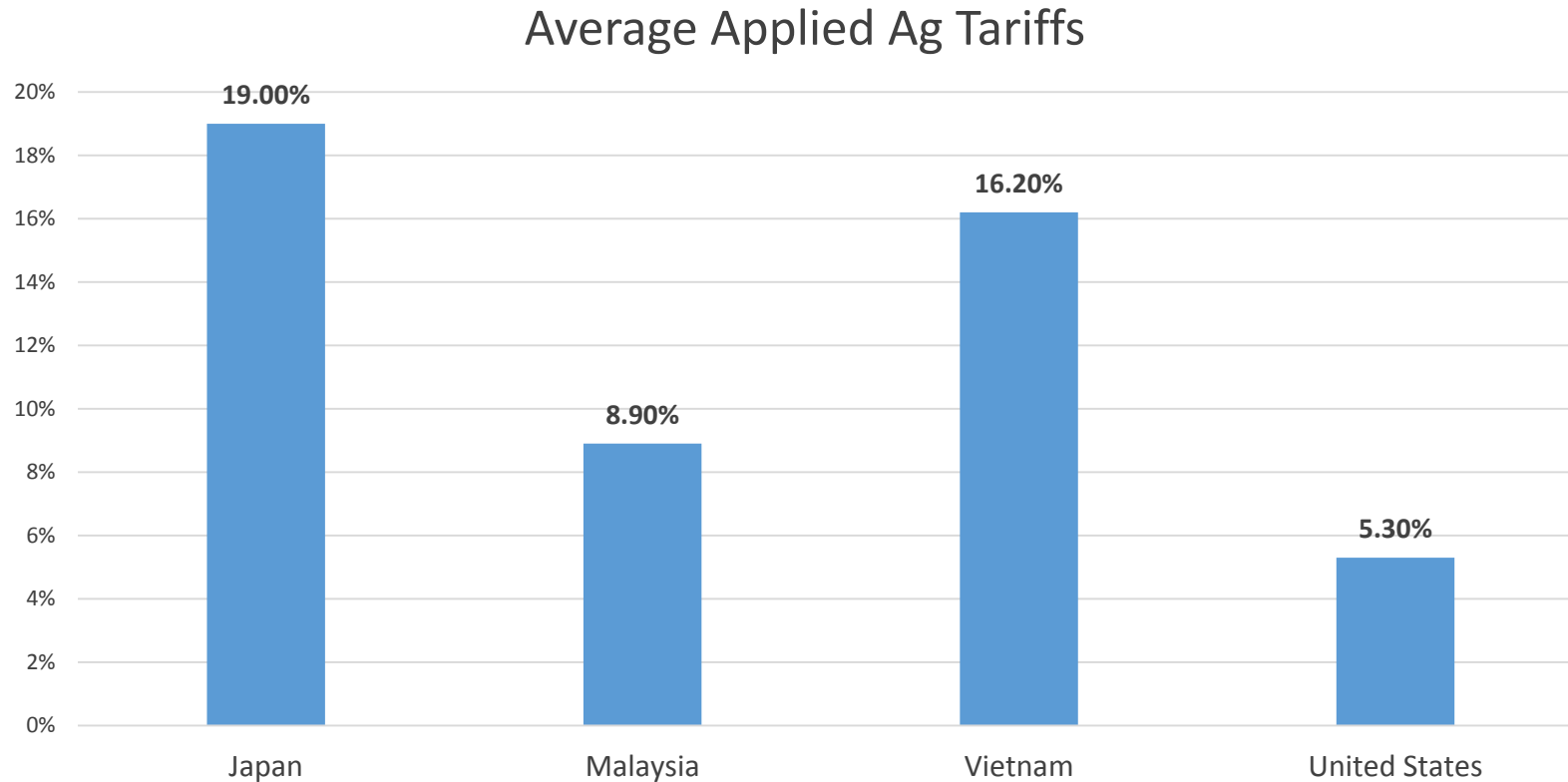
Exports are a critical source of income for a wide range of ag products



Source: USDA/FAS/GATS PSD database. Crop year data.

Opportunity: Leveling the Playing Field

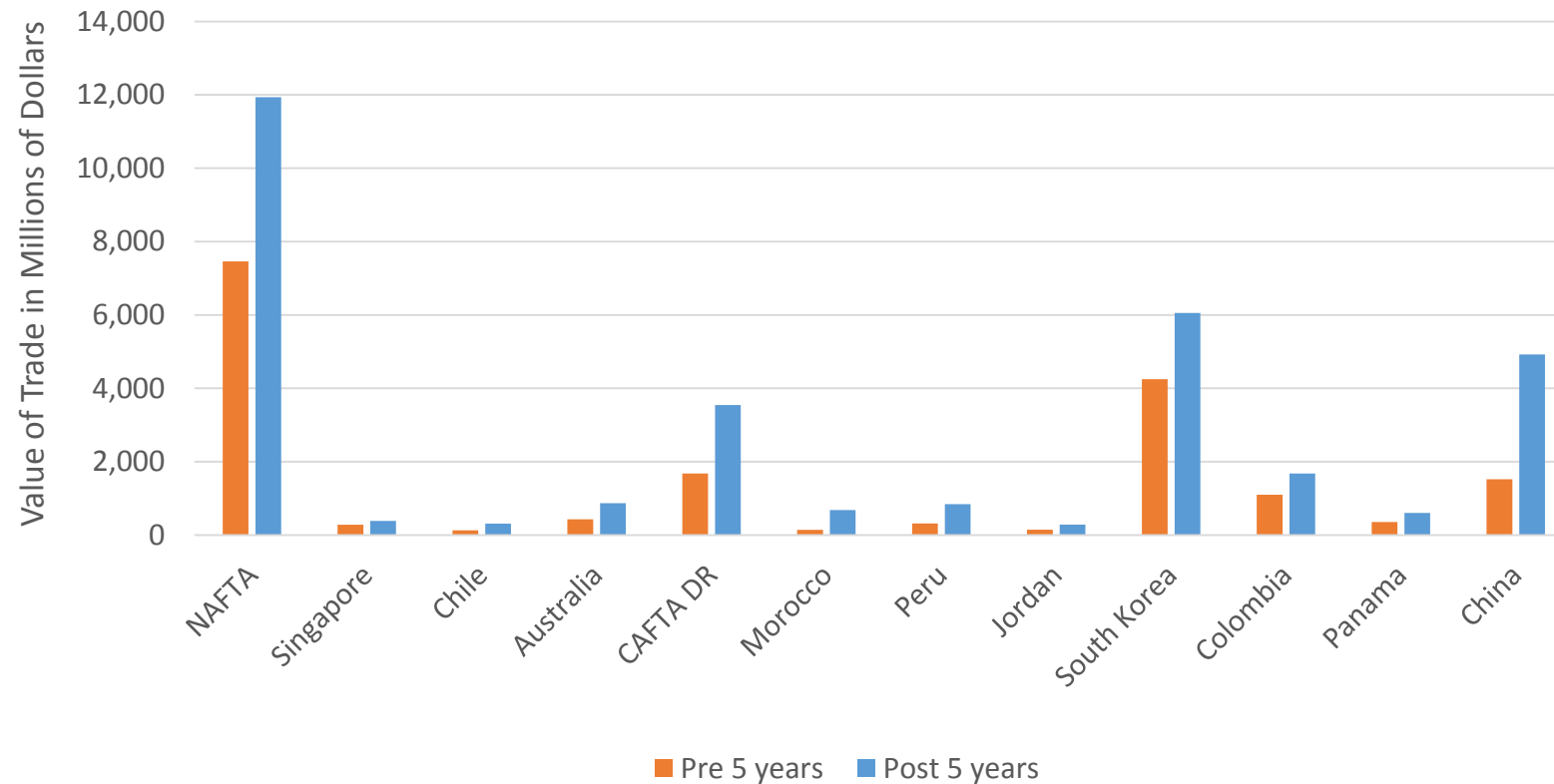
The U.S. will gain Significant Tariff Benefits from TPP as it Reduces Comparatively Higher Foreign Tariffs for Significant Markets



Source: WTO
(Note: Brunei – 2011 data; Otherwise - 2013 for Ave MFN, 2012 for trade weighted)

Trade Agreements Deliver: Ag Exports expand when we open markets and level the playing field

U.S. Ag Exports after FTA
(Comparison average pre and post five years)



TPP Benefits for Agriculture

The TPP will eliminate or reduce existing tariff and non-tariff obstacles, clearing a path to expand agricultural exports, which was nearly \$63 billion to TPP countries in 2014.

Opportunities for specific commodities:

- **Tree Nuts:** The United States exported \$287 million of tree nuts to Vietnam in 2014, these exports faced tariffs ranging up to 30 percent.
- **Wine:** Japan is the 3rd largest market for US wine exports, with shipments valued at \$87 million in 2014. US wines currently face tariffs ranging from 13-50 percent.
- **Poultry:** Canada is #2 market for US poultry products at \$589 million. US exports to Canada are limited by import quotas. TPP should result in expanded poultry access for the United States.
- **Potato and Potato Products:** The US exported \$7.7 million in potato and potato products to Vietnam in 2014, these exports faced tariffs ranging up to 34 percent.
- **Beef and Beef Products:** Japan with \$1.6 billion in annual sales in 2014 is our largest export market for beef, which currently faces tariffs ranging from 38.5-50 percent.

Japan is currently the United States' 4th largest export market

These exports are happening with high tariffs and other restrictive measures in place. **By addressing these barriers, a successful TPP will provide substantial opportunities to expand our exports to Japan.**

Japan's rank as a top export destination for US Ag products:

- #1 U.S. market: beef, pork, corn, and wheat
- #2 U.S. market: rice, and vegetables
- #3 U.S. market: fruit and wine
- #4 U.S. market: soybeans
- #6 U.S. market: dairy and nuts

Japan's Approach to Sensitive Products in Prior FTAs

	Brunei	Chile	India	Indonesia	Malaysia	Mexico	Peru	Philippines	Singapore	Switzerland	Thailand	Vietnam	ASEAN
Beef	X	TRQ (4,000 mt)	X	X	X	TRQ (6,000 mt)	X	X	X	X	X	X	X
Pork	X	TRQ (60,000 mt)	X	X	X	TRQ (80,000 mt)	X	X	Immediate Elimination	X	X	X	X
Dairy	X	X	X	X	X	X	X	X	X	X	X	X	Substantial Exclusions
Wheat	X	X	X	X	X	X	X	X	X	X	X	X	X
Rice	X	X	X	X	X	X	X	X	X	X	X	X	X
Sugar	X	X	X	X	X	X	X	TRQ (400 MT for sugar, 3,000 MT for syrup)	Immediate Elimination	X	X	X	X

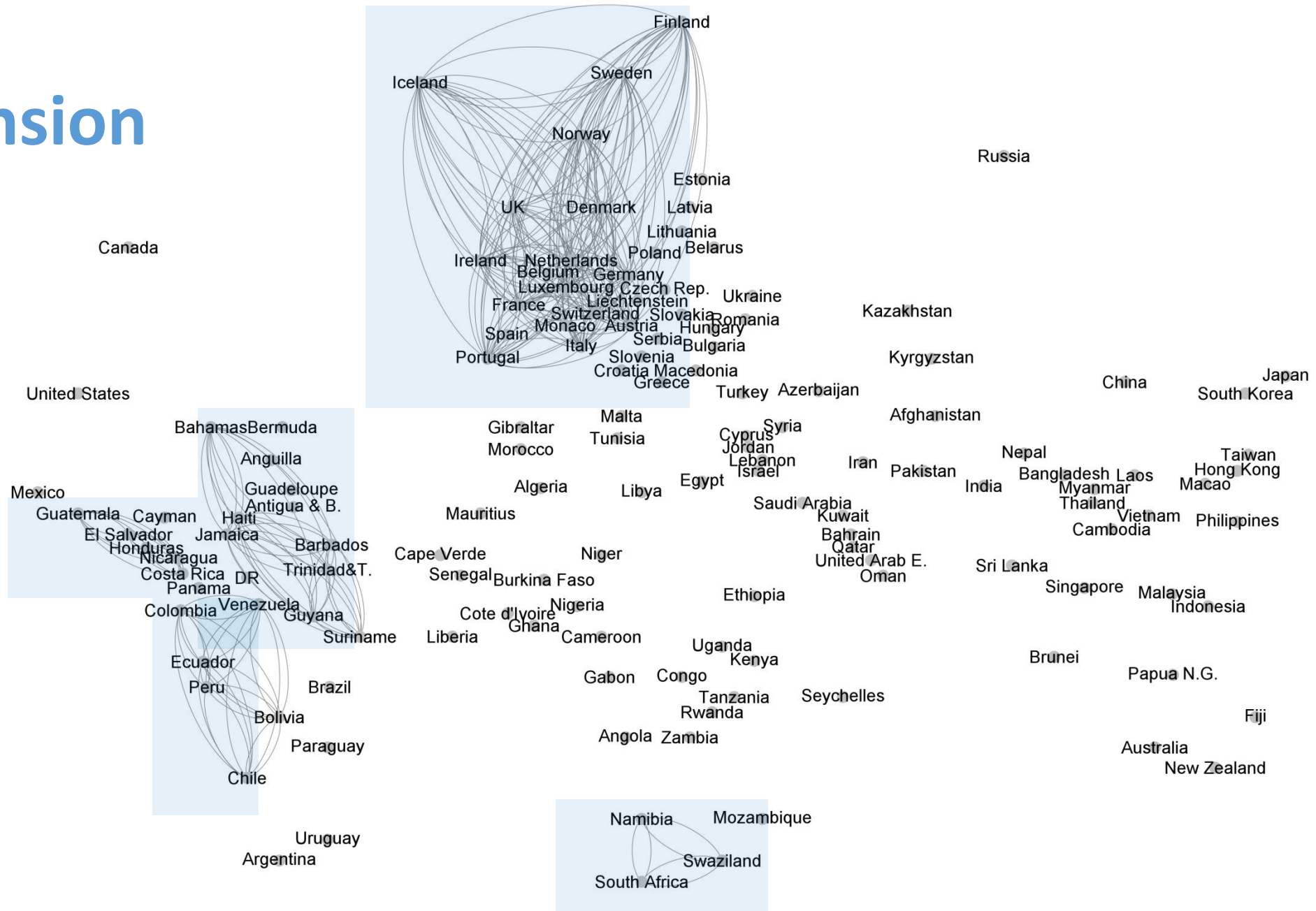
Japan is not going to wait to open markets and reform their economy



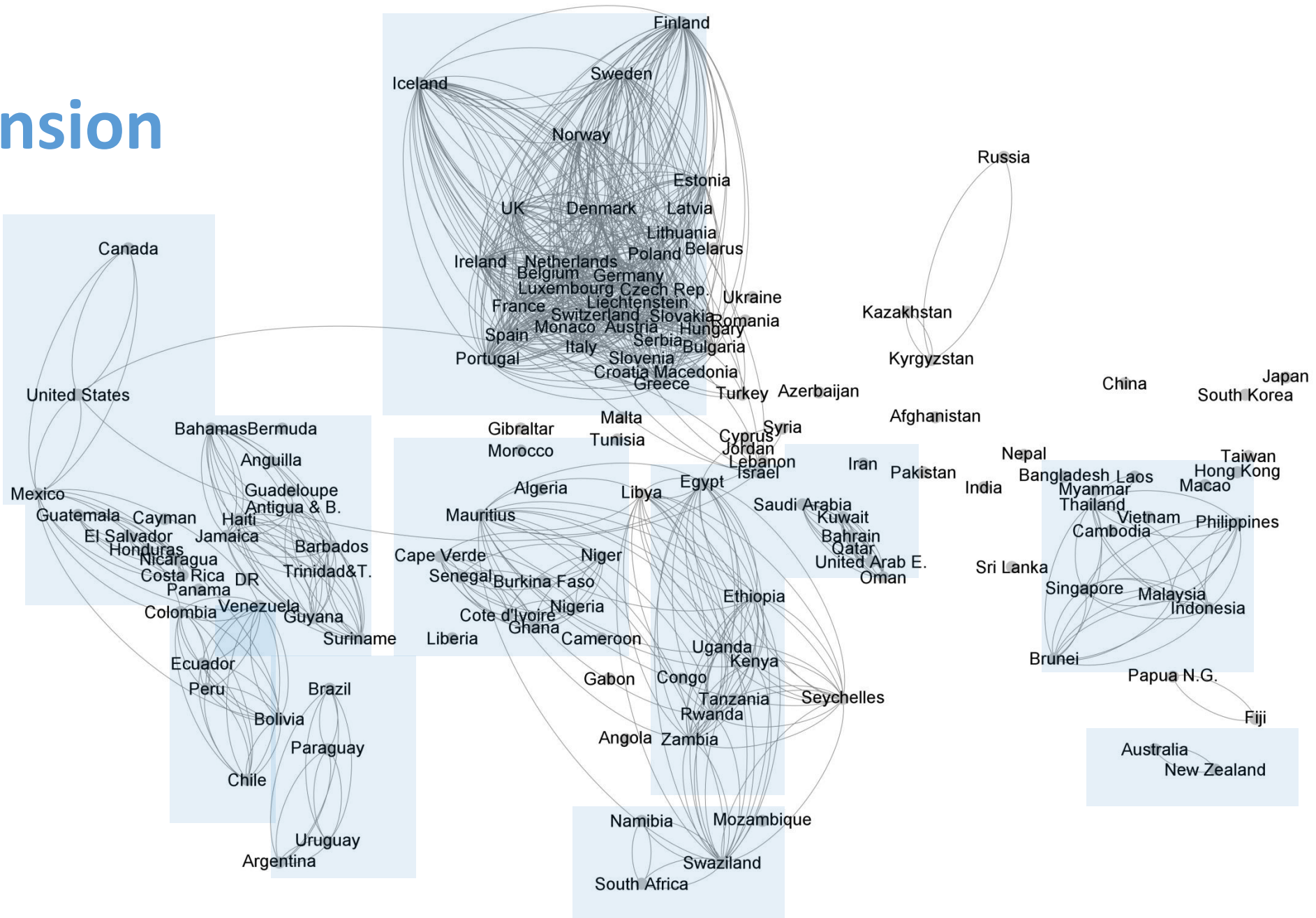
Absent TPA and a successful TPP agreement, the United States can expect to see its competitiveness erode over time as other key competitors gain the upper hand in supplying key markets in the TPP region.

Japan's Economic Partnership Agreements with Australia, Mexico, Chile, Peru, and Singapore are already leaving U.S. businesses and workers behind.

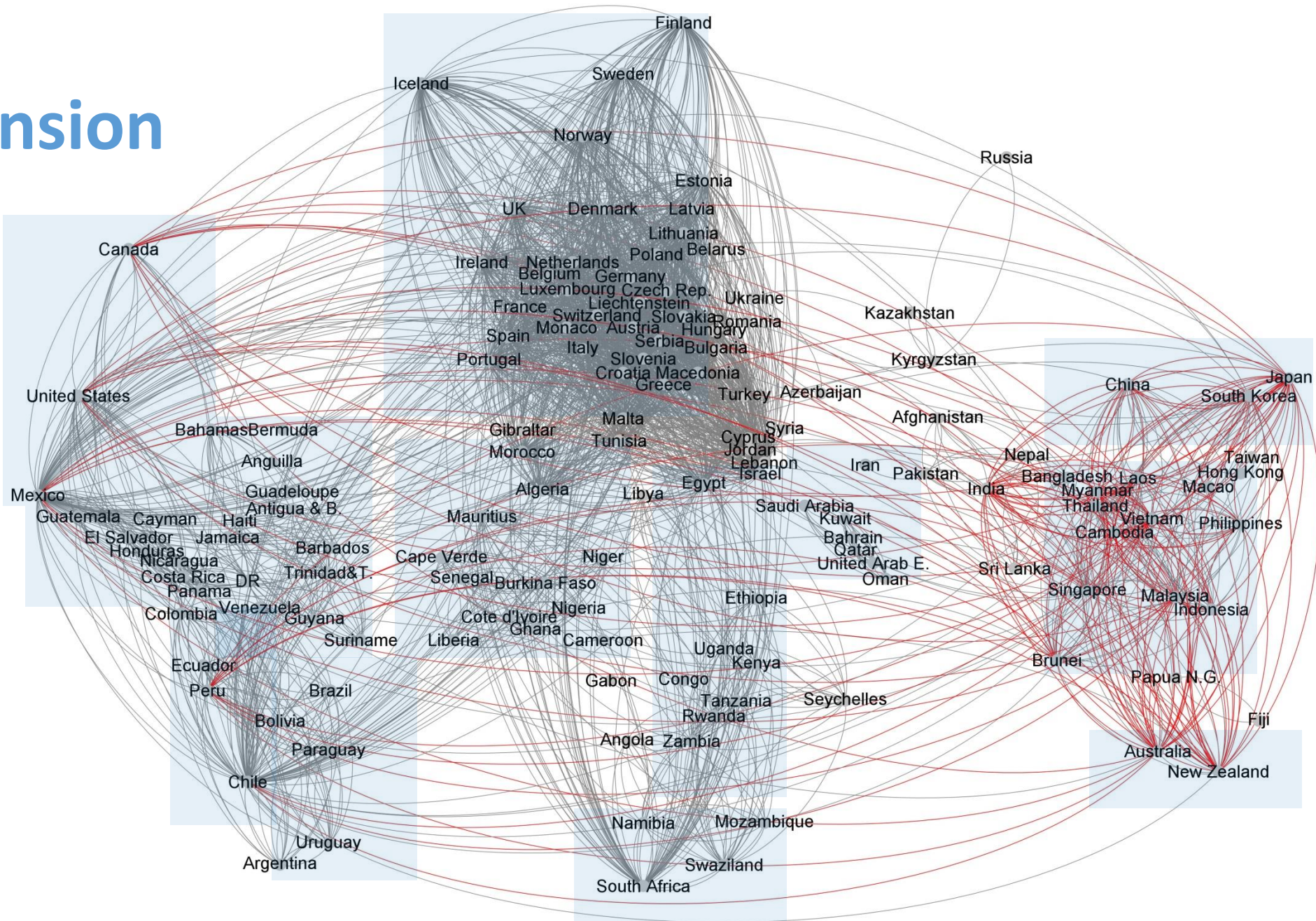
RTA Expansion 1975



RTA Expansion 1995



RTA Expansion 2014



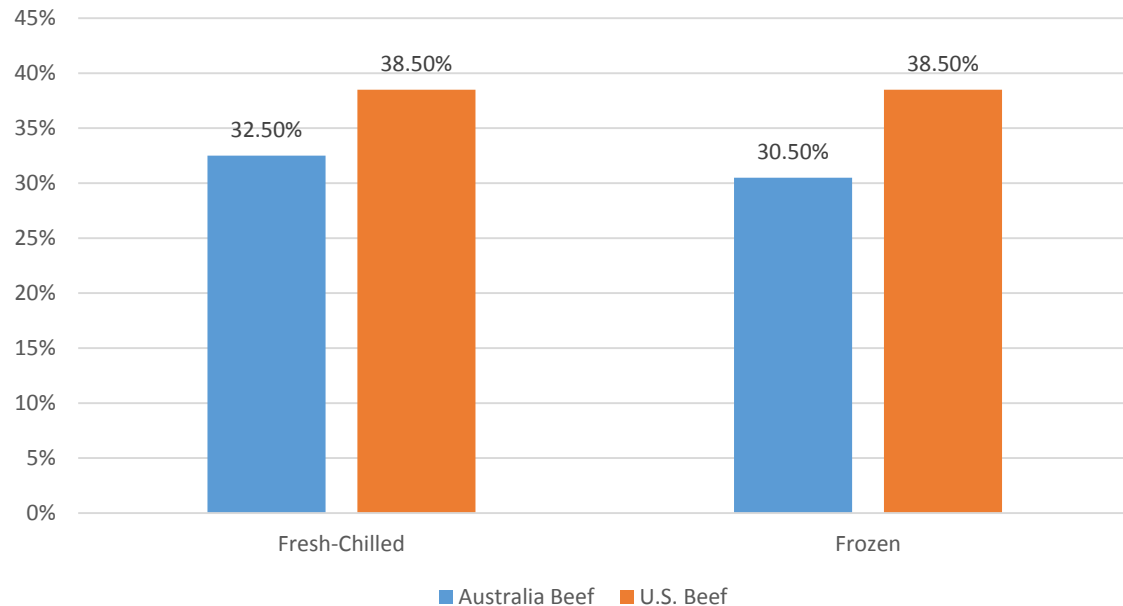
Absent TPP, the U.S. will lose ground on beef to other regional and bilateral agreements

Australia and the United States are the dominant suppliers of Japan's beef imports, ranking #1 and #2, respectively.

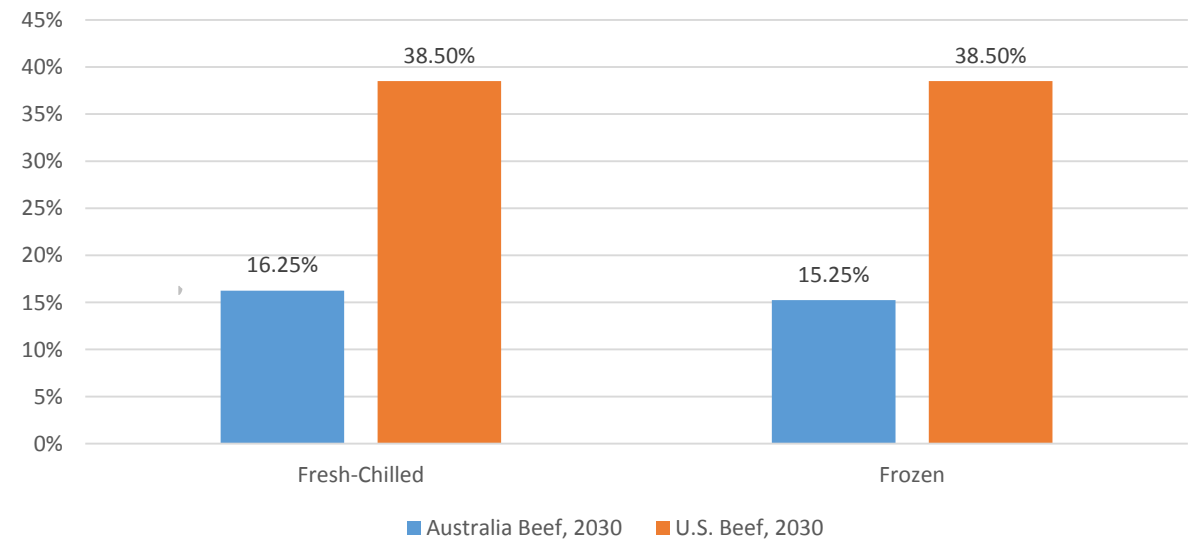
However, absent TPP Australia will be positioned to displace U.S. exports owing to its EPA with Japan.

Effective **January 15, 2015**, Australia enjoys a significant tariff advantage for fresh/chilled and frozen beef due to their EPA with Japan. Further reductions in April 2015 will be made. **By 2030, Australian beef will face duties approximately half that applied to the U.S. beef.**

Losing our edge: Japan Beef tariffs for Australia and the U.S.
in 2015



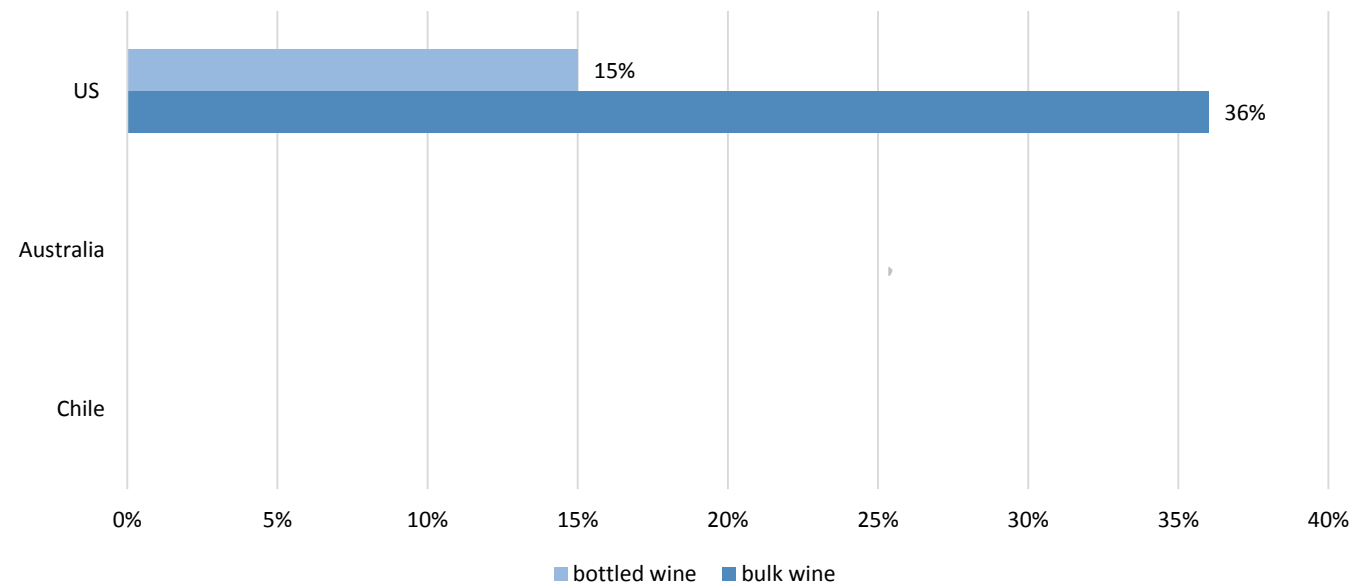
In 2030, Australia is posed to be the dominant beef supplier
because of tariff reductions



Absent TPP, the U.S. will lose ground on Wine in Japan to other regional and bilateral agreements

- Japan's imports of wine from all sources in 2014 topped \$1.6 billion, with Chile, the United States, and Australia ranked #3, #5, and #6.
- Japan's imports of wine from the United States have been steadily increasing in recent years, approaching **\$116 million in 2014**. A successful TPP will position the United States to grow its presence in this already large, and growing, market.
- **HOWEVER, absent TPP, Chile and Australia will be positioned to capture market share from the United States as a result of their respective EPA's with Japan.** Under those agreements:

By 2020, Australian and Chilean wines will have duty free access to the Japanese market while our duties remain intact.



Strategic and Geopolitical Importance of TPP

- Trade is one of America's most important foreign policy tools because America's economic strength is a critical source of our influence abroad.
- Trade agreements like TPP can help further our foreign policy goals, like our **rebalancing strategy toward Asia**, a region where the rules of the road are up for grabs.
- **China has made clear to our partners in the region that they think America is asking too much** – that they should reject our efforts to raise standards on labor, the environment, IP, the Internet, and SOEs.
- **If China's vision prevails in this region – the fastest growing region of the world – US competitiveness will be at a significant disadvantage** because we will be removed from supply chains, our linkages to important allies will decrease, and our overall influence will diminish.

Bottom Line: We face an important choice. **We can lead and ensure that the global trading system reflects our values and our interests, or we can cede that role to others.**

Status of the Trans-Pacific Partnership

- Over the last few months, we've made very significant progress on TPP negotiations and they are now in the end game.
- The administration's goal is to conclude a deal as soon as possible but we also want a deal that works for American workers and unlocks opportunity for American business.
- We have been consulting closely with Congress throughout the process. To date, our trade negotiators have held hundreds of Hill Briefings and meetings throughout the TPP negotiating process.
- We won't accept a deal for the sake of a deal, for us, the substance is what drives the timeline.

What is Trade Promotion Authority?

Trade Promotion Authority has its roots in the earliest trade negotiating authority, passed by the New Deal Congress in 1934 and signed into law by President Franklin Roosevelt. **TPA has existed in its modern form for every President since 1974 but has not been updated in a decade.** TPA is a law that:

1. Allows Congress to give direction to the Executive Branch on trade policy priorities and negotiating objectives for trade agreements
2. Establishes Congressional requirements for notifying and consulting stakeholders and the public before and during negotiations
3. Defines the terms, conditions, and procedures under which Congress considers legislation to implement trade agreements

TPA is not a delegation of authority to the Executive Branch to negotiate trade agreements. Congress and the President already share constitutional authority over trade and international agreements. **TPA allows Congress to provide a blueprint for negotiating trade agreements that will win support at home.**

Thank You!
